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63-925-2

13 December 1963

The Honorable Hermit Gordon
 Director
 Bureau of the Budget
 Washington, D. C.

Dear Mr. Gordon:

I have reviewed the Bureau's tentative allowances for FY 1965 of dollars and manpower reductions from the Central Intelligence Agency's original estimate. I herewith propose several adjustments to the Bureau's tentative allowance to provide some increase in those amounts proposed for regular operations. In essence, our new figures provide [] over the Bureau's proposed allowance for (1) important Covert Action programs recently discussed with you, (2) an important new undertaking in the coordination and production of intelligence in the foreign missile and space analysis field, and (3) for needed covert collection programs. This is partially offset by a reduction in the Bureau's recommended figure for restoration to the Reserve for Contingencies. I propose to take steps in the remainder of FY 1964 which should result in savings that can be used to compensate for this reduction in the Reserve restoration.

I have accommodated these changes within the personnel figures proposed in your tentative allowance.

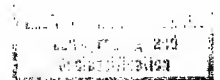
I would hope that you can give the Agency proposal your support in recommending it to the President.

The initial preliminary estimates for FY 1965 totaled []

[] I reduced these in our long-range projection of last spring to [] and then again to our present budget request of []

[] The additional [] reduction proposed now will

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require a serious assessment and involve considerable reprogramming within the Agency. To this end I have instituted additional management actions within the Agency which I am confident will result in further savings and absorptions sufficient to accommodate the target objective and yet continue that flexibility so essential to the CIA mission. Among these are:

- a freeze on the entrance on duty of additional personnel;
- a re-examination of all personnel ceilings;
- a re-examination of all overseas activities;
- an intensive re-assessment of demands placed on service and support elements (e. g., cable traffic, security checks, printing);
- a virtual stand-down in plans to expand certain aspects of the Agency's programs in communications, photo interpretation, research and development, paramilitary operations and air support; and
- deferral or curtailment of new efforts in the SIGINT field.

In addition, I am conducting a specific series of investigations into management practices, and I have strengthened the mechanisms for control over the allocation of Agency resources, both money and manpower.

Attached is a revised schedule for FY 1965 which reflects the Bureau's tentative allowance for this Agency, my proposal for adjustment thereto in response to your memorandum of 11 December. Inasmuch as we had only a very short time to study the Bureau's proposals before submitting this schedule, you will appreciate the need for further coordination and discussion among appropriate officers of our respective staffs as to the specific reductions.

Sincerely,

John A. McCone
Director

Original & 1 - Addressee w/att (handcarried evening of 12/13)
1 - DCI w/att 1 - DDCI w/att 1 - D/BPAM w/att
1 - ER w/att ✓ - Executive Director-Comptroller w/att